



**Review of the
National Competition Council
Annual Report 1996-97**

Report from the House of Representatives Standing
Committee on Financial Institutions and
Public Administration

June 1998

The Parliament of the Commonwealth of Australia

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House of Representatives Printing Service
Canberra

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ISBN

Produced by the House of Representatives Printing Service, Canberra

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FOREWORD

The significant potential benefits arising from competition reform have been recognised by all levels of government and all major political parties. Implementing competition policy will impact across the whole economy and right across the community.

Lack of competition in the delivery of services in the public sector has been shown to add a significant cost for those services. National competition policy seeks to improve this by opening appropriate areas of the public sector to a competitive environment.

In this first review of the National Competition Council's (NCC) annual report the Committee has addressed the ongoing role of the Council in the competition reform process and the implementation and progress of competition policy.

This has provided an important opportunity for enhancing the transparency and accountability of the NCC, particularly given that the Council is in the unique position of reporting to all State and Territory Governments and the Commonwealth Government as a group.

This review is very topical as the impact and the implications of the reform package are coming under close public scrutiny, especially in rural and regional Australia.

Throughout this Parliament the Committee has recognised the importance of monitoring and assessing where the benefits of competition fall. Through our earlier work on National Competition Policy and the Australian Competition and Consumer Commission (ACCC) we have successfully recommended to the Government that this is a priority task. In response to the Committee's recommendation in its ACCC report, the Treasurer has agreed to a study of the extent to which the benefits of competition are flowing through to rural and regional Australia.

In undertaking this review of the NCC the Committee appreciates the assistance and cooperation it received from the Council.

I am pleased that the Committee was able to achieve a unanimous report. It reflects the views of all major parties on the need to ensure that competition policy is only implemented to the extent that the benefits outweigh the costs and the important role that the NCC, other competition agencies and Governments have in public education about how competition policy works. I thank the members of the Committee for their work at the public hearing and in preparing this report.

David Hawker MP
Chairman

MEMBERS OF THE COMMITTEE

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Deputy Chairman Mr G S Wilton, MP

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Hon R Willis, MP

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Inquiry Secretary Ms B Forbes

Inquiry Staff Mr K Bodel

Ms B Zolotto

TERMS OF REFERENCE

The Standing Committee on Financial Institutions and Public Administration is empowered to inquire into and report on any matters referred to it by either the House or a Minister including any pre-legislation proposal, bill, motion, petition, vote or expenditure, other financial matter, report or paper.

Annual reports of government departments and authorities tabled in the House shall stand referred to the relevant committee for any inquiry the committee may wish to make. Reports shall stand referred to committees in accordance with a schedule tabled by the Speaker to record the areas of responsibility of each committee.

The *National Competition Council annual report 1996-97* was tabled in the House of Representatives on 30 October 1997.

ACRONYMS AND ABBREVIATIONS

ACCC	Australian Competition and Consumer Commission
CSOs	community service obligations
COAG	Council of Australian Governments
FAGs	Financial Assistance Grants
NCC	National Competition Council
NCP	National Competition Policy
SMA	statutory marketing arrangements
USOs	universal service obligations

RECOMMENDATIONS

- 1 That the Commonwealth, State and Territory Governments and agencies involved in the implementation of national competition policy devote resources to ensure community understanding and debate about the contents of the policy and its outcomes. (paragraph 2.80)

CHAPTER ONE

INTRODUCTION

Background

1.1 The National Competition Council (NCC) was established in November 1995 by an agreement of all Australian governments and is responsible to them as a group. It is an independent advisory body for all governments involved in implementing the competition reforms.

1.2 The Council's four main roles are:

- to assess jurisdictions' progress in implementing the NCP [National Competition Policy] reforms;
- to evaluate applications relating to the National Access Regime;
- to undertake other work as requested by Australian governments; and
- to increase understanding and to provide advice on the NCP process generally.¹

1.3 The Council is primarily a support body, an advisory group, not a regulator like the other major national competition body - the Australian Competition and Consumer Commission (ACCC).

1.4 The Council comprises four part time councillors and a president, and is supported by a secretariat of 20 staff based in Melbourne. It also makes extensive use of consultants (to the value of \$463,901 in financial year 1996-97). The Council's budget for 1996-97 was \$1.94 million but it will be supplemented with an additional \$882,000 in 1997-98 and \$746,000 each year thereafter to 2000-01.²

1.5 The main elements of NCP under which the NCC operates are set out in the *Competition Policy Reform Act 1995*, which takes the form of amendments to the *Trade Practices Act 1974*, *Prices Surveillance Act* and complementary State/Territory legislation; and in three inter-governmental agreements - the Code of Conduct Agreement, the Competition Principles Agreement and the Implementation Agreement. Related reforms to the electricity, gas, water and road transport industries also form part of the NCP package.

1.6 Major elements of the package relate to protections against anti-competitive behaviour; access to infrastructure; review of legislation restricting competition; competitive neutrality policy and principles; specific infrastructure reforms; and application of the reforms to local government.

1.7 This policy was endorsed in April 1995 by the Commonwealth government in cooperation with all State and Territory governments operating through the Council of

1 *National Competition Council annual report 1996-97*. October 1997. Melbourne, Union Offset Co. Pty Ltd, p 37.

2 *National Competition Council annual report 1996-97*, op. cit., pp 203-208 and 234.

Australian Governments - COAG. The policy progressively came into operation after that date.

1.8 The NCP also applies to local government even though local governments are not parties to the Agreement. Each State or Territory is responsible for applying those principles to their local government sector. However, the President of the Australian Local Government Association is a member of COAG.³

1.9 While micro-economic reform was being undertaken prior to the NCP, the package provided '...a more systematic, comprehensive and balanced approach to reform...' ⁴ The NCP agreements are not prescriptive, rather they are '...broad 'statements of intent' which governments must interpret, refine and then put into practice. This is a large and complex task...' ⁵ the dimensions of which should not be underestimated. The other important element of NCP is that it is a long ranging policy, taking time for the reforms to be implemented and for the benefits to flow through.

1.10 In 1997 the House of Representatives Standing Committee on Financial Institutions and Public Administration tabled a report on aspects of the NCP reform package.⁶ As part of that work the Committee examined the role of the NCC and made five specific recommendations about the future operations of the Council. In May this year (after the Committee's public hearing with the NCC) the Commonwealth Government tabled its response to that report⁷ (see Appendix 4) and agreed or agreed in principle to 13 of the 14 recommendations set out in the report, including four referring to the NCC.

1.11 This review of the NCC's annual report 1996-97 builds on the Committee's former competition work and takes into account the Government response to that report.

1.12 The basis for the current review is House of Representatives' standing order 28B(b) whereby annual reports within a committee's area of portfolio responsibility stand referred for any inquiry the committee may wish to make (see terms of reference at page ix).

1.13 As the Council is in the unique position of reporting to all those governments as a group, its appearance before this parliamentary committee gave a rare opportunity for detailed public scrutiny.

1.14 The review is an important avenue of accountability and transparency for the NCC and provided the parliament, financial sector and community, with valuable insights into the way in which the NCC conducts its activities and the basis for its decisions.

1.15 The review is very timely coming as it does when the benefits of competition reform and their flow through to end consumers and businesses are being even more closely questioned than in the past, especially in rural and regional Australia.

3 *Heads of Government Meeting, Canberra, 11 May 1992, Communique*, pp 1-2; and *Commonwealth financial relations with other levels of Government 1992-93*. Budget Paper No. 4. Canberra, AGPS, p 16.

4 *National Competition Council annual report 1996-97*, op. cit., p 3.

5 *National Competition Council annual report 1996-97*, op. cit., p 3.

6 House of Representatives Standing Committee on Financial Institutions and Public Administration. June 1997. *Cultivating competition: Report of the inquiry into aspects of the National Competition Policy Reform Package*. Canberra, AGPS, xx 134p.

7 *Cultivating competition: Inquiry into aspects of the National Competition Policy reform package: Revised government response*. In: *House of Representatives Hansard*, 26 May 1998, p 3651.

1.16 This work by the Committee on the NCC is part of the Committee's broader framework for reviewing the annual reports of several agencies in the financial services and public sectors (see the back of this report for a list of those reports). It particularly compliments the Committee's work on the ACCC's 1995-96 and 1996-97 annual reports.⁸

Scope and conduct of the review

1.17 At its meeting on 28 August 1997 the Committee resolved to examine the *National Competition Council's annual report 1996-97*.

1.18 This review is based on that report and the evidence given by the Council at a public hearing held in Melbourne in February this year. Details of the hearing are set out at Appendix 3 and a copy of the transcript of evidence was published by the Committee and is available from its secretariat and on the Committee's internet site⁹. The NCC also made a submission to the review to clarify two matters discussed at the public hearing. A copy of that submission is included in Appendix 1.¹⁰ In addition, the NCC provided a copy of a conference paper on the NCP legislation review process. Details of the paper are at Appendix 2.

1.19 The Committee's review clearly is a public process. However, it is not as comprehensive as an inquiry into a specific reference, since the review is not formally advertised in the press, and submissions generally are sought only from those organisations directly involved in the review process.

1.20 Further background on competition policy reforms are summarised in the NCC's annual report and in the Committee's report *Cultivating Competition*.¹¹

1.21 A summary of the key aspects of the NCC's annual report for 1996-97 is presented in Table 1.1. It outlines aspects of the NCC's operation and progress by jurisdictions in implementing the reforms. Table 1.2 sets out the NCC's future priorities for reform.

8 House of Representatives Standing Committee on Financial Institutions and Public Administration. June 1997. *Review of the Australian Competition and Consumer Commission 1995-96 annual report*. Canberra, AGPS, xi 29p; House of Representatives Standing Committee on Financial Institutions and Public Administration. March 1998. *Review of the Australian Competition and Consumer Commission annual report 1996-97*. Canberra, House of Representatives Printing Service, xiii 51p.

9 <http://www.aph.gov.au/hansard/refs/commtee/r1610.pdf>

10 The submission and public hearing transcript have been incorporated into a volume which is available for inspection at the National Library of Australia, Parliamentary Library and the Committee Secretariat. References to evidence in the text of this report refer to the page numbers in the submission ('S' prefix) and public hearing (numeric sequence).

11 *National Competition Council annual report 1996-97*, op. cit., pp 3-4, 21 and 49-54; and House of Representatives Standing Committee on Financial Institutions and Public Administration, June 1997, op. cit., pp 1-6.

1.22 In this report the Committee has not repeated the detail of the NCC's views set out in its annual report, rather, it has focused on a number of significant matters that were raised at the public hearing. The main issues addressed as part of the inquiry are discussed in the next chapter which concludes with the Committee's overall assessment of the NCC's performance.

Table 1.1 **Key aspects of the NCC's annual report 1996-97**

- ◆ 1996-97 was the first full year of operation of the Council
- ◆ NCC's work was dominated by the first tranche assessment process - details of which are set out in the report
- ◆ Despite gaps in performance in some areas, all States and Territories received the complete first instalment of their first tranche NCP Payments
- ◆ Commonwealth's first annual progress report was expected in late 1997 but the legislation review part was not available until February 1998
- ◆ Through State and Territory Application legislation, Part IV of the Trade Practices Act now covers all State and Territory government businesses and some private businesses
- ◆ 100 legislative reviews completed (although many recommendations not yet considered) of the over 1800 pieces of legislation listed for review by year 2000; pace of reform varies between jurisdictions; there are omissions, slippage and concerns about outcomes with specific reviews; all jurisdictions face a substantial task in the time ahead; main work in the second tranche
- ◆ Commonwealth criticised for failure to undertake pre-privatisation reviews for Telstra and Australian National Railways Commission against NCP principles
- ◆ On 19 May 1997, following majority jurisdictional agreement, the Treasurer requested the NCC review the *Australian Postal Corporation Act 1989*; an options paper was released in September 1997
- ◆ Governments have undertaken wide-ranging structural reform of their big, monopolistic enterprises and in so doing have applied the NCP agreement's principles for structural reform
- ◆ Competitive neutrality reforms have commenced but several matters will need further or ongoing attention
- ◆ Progress in applying competitive neutrality to local government has proven difficult to date for several jurisdictions; pace of reform expected to increase in the second half of 1997 by which time all potential activities to be considered for reform should have been identified and where appropriate reform initiated
- ◆ National Access Regime up and running with the Commonwealth Treasurer declaring the first infrastructure services under the regime and several States developing their own access regimes dealing with specific infrastructure
- ◆ Slow pace of infrastructure reform (ie in electricity, gas, water, and road transport); focus on resolving technical issues which affects the way the reforms will work with substantial 'on the ground' reform in electricity but the bulk of the work in water and road transport lies ahead - high priority to these reforms in future NCP Payments assessments
- ◆ NCC placing greater emphasis on looking at the impacts and implications of competition reform, jurisdictions identifying winners and losers in the short term and identifying options for action by governments to address this
- ◆ Results of reform in some areas now coming through and are reported upon by NCC eg pp 8, 29
- ◆ In response to Committee's report the NCC has increased its efforts in information dissemination about NCP and said it will commence a program of consultative meetings with key interest groups
- ◆ Council's workload expanded more quickly than expected and additional funding provided in the 1996-97 budget and for subsequent years to 2000-01; staffing expanded from 13 to 20

Table 1.2 *NCC future priorities for reform as set out in its annual report 1996-97*

Much more remains to be done. In summary jurisdictions need to:

- ◆ address the deficiencies identified to date
- ◆ proceed with the second tranche of reform commitments
- ◆ increase the rate of 'on the ground reform'
- ◆ examine other aspects of the overall policy mix if the potential benefits of the NCP reforms are to be fully realised.

Legislation review - all jurisdictions face a substantial task ahead:

- ◆ there are specific legislative difficulties to be addressed as identified by the NCC
- ◆ review schedules require continuing revision
- ◆ timetables should allow reforms to be completed by year 2000
- ◆ phasing in of reforms should not extend beyond year 2000, except in exceptional circumstances
- ◆ reviews should be conducted in an open and rigorous manner
- ◆ jurisdictions also need to implement 'on the ground reforms'
- ◆ for the purposes of assessing jurisdictions' progress in implementing NCP, the Council views the NCP as a national commitment by all parties, binding not only on the government but also the parliament

Competitive neutrality - several matters will need further or ongoing attention:

- ◆ competitive neutrality principles should be applied to all significant business activities unless not in the public interest; jurisdictions that have not already done so publish a list of significant businesses together with a reform timetable; reform is an ongoing process - there is a case for extending competitive neutrality reform beyond larger or significant businesses to other business activities
- ◆ issue of Commonwealth taxation of local government businesses which are corporatised as part of the competitive neutrality reform process needs to be resolved quickly
- ◆ to improve application of competitive neutrality principles, some complex technical issues need to be resolved (eg valuing, funding and providing CSOs and defining and introducing full cost pricing) and there is a need to improve the understanding of competitive neutrality among people in government
- ◆ ensure competitive neutrality complaints mechanisms operate effectively

Reforming big infrastructure sectors

- ◆ new reform timetables have been, or are expected to be agreed in electricity, gas and road transport
- ◆ significant reforms for electricity, gas, road transport and water scheduled over the next two years
- ◆ in conducting future assessments, the NCC will be according high priority to jurisdictions' progress in those four sectors
- ◆ jurisdictions need to implement 'on the ground reforms' rather than provide generic statements of intent
- ◆ reforms need to be implemented on time
- ◆ there should be few 'derogations' from national approaches to reform
- ◆ develop national approaches to reform in other sectors, especially the transport sector eg rail

Also need to address other aspects of their overall mix if the potential benefits of the reforms is to be reaped in full and used well

CHAPTER TWO

MAJOR ISSUES

Public interest test vs net community benefit

2.1 A central tenet of competition policy reform is that it is not about competition for competition sake, it is a means to other ends. The Committee cannot emphasise this point too strongly.

2.2 While in general introducing competition will deliver benefits to the consumer, there are situations in which community welfare is judged better served by not implementing particular competition reforms. Thus the Competition Principles Agreement (CPA) recognises the importance of the concept of a weighing up process of the costs and benefits to the community, with competition implemented to the extent that the benefits realised from competition outweigh the costs. The shorthand expression used to describe that concept is the 'public interest test'.

2.3 In discussing that concept the National Competition Council (NCC) advised that:

...The public interest test is an expression that council is tending not to use very much because it is a test that often gets confused with overuse in various different forms of legislation. We are talking now much more about net community benefit and focusing on the benefits to the community as a whole, rather than benefits to particular interest groups who most often are those who benefit from anti-competitive restrictions in whatever area it might be.¹

2.4 The Committee believes that use of the term net community benefit rather than public interest test will be determined depending on how jurisdictions and the community react to the alternate terminology.

2.5 Irrespective of the terminology, this is a critical element of competition reform to be understood by those in government and the community. The NCC and all jurisdictions involved in implementing the reforms should give significant attention to explaining this concept.

Progress in implementing the reforms

2.6 Implementation of the NCP reforms has been divided into three 'tranches' with each of the nine jurisdictions making broad commitments on the reforms to be undertaken in each tranche.

2.7 One of the primary roles of the NCC is to carry out a regular assessment of the progress State and Territory governments have made towards the implementation of NCP.

1 Evidence p 18.

This is done at the end of each tranche ie on 1 July 1997, 1999 and 2001. It is on the basis of these assessments that the Commonwealth makes payments to the State and Territory governments enabling them to share in the benefits of implementing the reforms given satisfactory progress has been made.

2.8 The Agreement to Implement the National Competition Policy and Related Reforms (Implementation Agreement) specifies this will be achieved via the Commonwealth maintaining the real per capita guarantee of Financial Assistance Grants (FAGs) pool on a rolling three year basis and through three tranches of general purpose payments in the form of a series of Competition Payments.

2.9 Significant funds are at stake. The total National Competition Policy Payments to state and local government from 1997-98 to 2005-06 will be \$16.1 billion (or \$12.5 billion in 1994-95 prices). FAGs will account for \$10.8 billion and Competition Payments \$5.3 billion. FAGs are paid to the state and local government whereas the Competition Payments are only made to the states on a per capita basis.²

2.10 The three tranches for the Competition Payments are:

- first tranche commencing 1997-1998 \$200 million pa in 1994-95 prices
- second tranche commencing 1999-2000 \$400 million pa in 1994-95 prices
- third tranche commencing 2001-2002 \$600 million pa in 1994-95 prices.

2.11 The first tranche of payments commenced in July 1997 and were to be made quarterly thereafter and indexed in real terms.

2.12 In June 1997 the Council completed its first assessment which it reported in a separate publication and in its annual report.³

2.13 In evidence and in its annual report the NCC advised that early progress had been positive; all governments had taken steps to implement their commitments; most progress focused on getting the policy processes right; but there had been several 'on the ground reforms'; but that no jurisdiction had completely complied with its obligations under the CPA; and there were some matters identified which required greater attention.⁴ A summary of the NCC's general comments on progress in implementing particular reforms (ie legislative reviews, structural reform of monopolies, competitive neutrality, application to local government, access regime and infrastructure reform) is included in Table 1.1.

2.14 A summary of the outstanding first tranche issues is at Table 2.1.

2 For details of annual National Competition Policy Payments see table in the *Agreement to implement the National Competition Policy and related reforms*, p 6.

3 National Competition Council. June 1997. *Assessment of State and Territory progress with implementing National Competition Policy and related reforms*. Melbourne, NCC, viii 150p; *National Competition Council annual report 1996-97*. October 1997. Melbourne, Union Offset Co. Pty Ltd, pp 4-12 and 55-199.

4 Evidence p 6; *National Competition Council annual report 1996-97*, op. cit., p 4.

Table 2.1 **Summary of outstanding first tranche issues as at 30 June 1997**

Jurisdiction	Outstanding first tranche issue
Victoria	Gas access code; application to local govt
New South Wales	Rice marketing, casinos and TAB privatisation legislation; application to local govt
Queensland	Gas access code; casinos legislation; application to local govt
Western Australia	Gas access code; application to local govt
South Australia	Gas access code; casinos legislation; application to local govt
Tasmania	Application to local govt
ACT	Gas access code
Northern Territory	Gas access code

Source Data: National Competition Council. June 1997. *Assessment of State and Territory progress with implementing NCP and related reforms*. Melbourne, NCC, viii 150p.

Assessment process

2.15 In its *Cultivating Competition* report the Committee recommended that the Treasurer ensure that the assessment for payment of both the FAGs and Competition Payments be performance based and reflect both the spirit and intent of the competition policy reform legislation and the inter-governmental agreements and that details of the assessment outcomes and process were made publicly available following each tranche's assessment.⁵

2.16 The Government response to the Committee's report agreed to both parts of the recommendation.⁶ The Committee is pleased with the information provided by the NCC in its assessment report and annual report. The annual report also outlined the detail of the assessment process.⁷

2.17 Despite gaps in performance in some areas, the NCC recommended to the Treasurer that:

...all States and Territories should receive full payment of all 1997 first tranche instalments [ie \$215.1 million], but that several matters should be examined further, prior to the payment of the second instalment of the first tranche payments in July 1998. These matters cover progress with national gas reform,

5 House of Representatives Standing Committee on Financial Institutions and Public Administration. June 1997. *Cultivating competition: Report of the inquiry into aspects of the National Competition Policy Reform Package*. Canberra, AGPS, p 66.

6 *Cultivating competition: Inquiry into aspects of the National Competition Policy reform package: Revised Government response*. p 13. In: *House of Representatives Hansard*, 26 May 1998, p 3651.

7 *National Competition Council annual report 1996-97*, op. cit., pp 38-41.

some legislation review matters, and the application of the reforms to local government.⁸ [see Table 2.1]

2.18 Table 2.2 from the Budget shows the allocations of National Competition Payments made in 1997-98 and the allocations for 1998-99 if each State and Territory meets its obligations under the Agreements.

Table 2.2 **National Competition Payments (\$ million, estimate)^(a)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1997-98	72.2	53.0	39.3	20.7	17.0	5.4	3.5	2.2	213.2
1998-99	73.5	53.8	40.2	21.2	17.2	5.4	3.6	2.2	217.2

(a) Estimates. Figures will depend on actual increases in CPI and the Statistician's determination of population as at 31 December 1997 and 31 December 1998.

Source: *Federal financial relations 1998-99*. Budget Paper No. 3. May 1998. Canberra, CanPrint Communications Pty Ltd, p 30.

2.19 The NCC described those first tranche matters requiring further examination as the intermediate option.

2.20 At the hearing the Committee questioned whether jurisdictions take the threat of withholding payments seriously given the NCC's introduction of the intermediate option. The NCC justified its approach stating that its first assessment revealed that a substantial amount of work had been done in an extraordinarily complex and politically sensitive process; maybe the initial targets in the start up phase had been a little too ambitious; and its was appropriate to give governments a bit of extra time to comply with their obligations. The NCC said it expects the outstanding areas of reform will be completed by 30 June 1998.⁹

2.21 The NCC also noted that:

...The more important area is the second tranche...

...[it] is a very important element for two reasons...we start to get into the real meat of competition policy reform. It must be remembered that, with the exception of electricity and gas reforms,... the primary activity required to be conducted in this area under the competition principles agreement by July 1997 was largely timetable setting and direction setting - it was not getting into major areas of legislative review reform. They are now part of the very serious process that is required to be undertaken in this two-year period from July 1997

8 *National Competition Council annual report 1996-97*, op. cit., p 40.

9 Evidence p 6.

through to July 1999. The second tranche payments, of course, are far more significant than the first...¹⁰

2.22 The Committee accepts the intermediate approach taken by the NCC on this occasion and the spirit of its intent but notes below its expectations of the NCC.

2.23 The Committee questioned the NCC's resolve to only recommend payment on the basis of performance come July 1998. The NCC advised that '...the clear message that has been coming out since early last year is that the council does mean business; that it will recommend reductions in payments when non-compliance has occurred...'¹¹ The NCC reiterated that its assessment role is agreed to by all jurisdictions.¹²

2.24 The Committee also sought clarification on what it would take for the NCC not to recommend payment of the National Competition Payments. The NCC responded 'Non-compliance in non-trivial areas...'¹³ It defined non-trivial areas as big ticket items in terms of economic benefits such as energy, water reform and road transport and smaller ticket items which are equally important and probably far more sensitive at the broader community level with very direct impacts for consumers such as legislative review of the professions and review of statutory marketing arrangements.¹⁴

2.25 As previously noted local government is also involved in NCP reform. The NCC also advised that it has '...reminded states that non-performance by local government of competition policy obligations amounts to non-performance by the state, which amounts to a consideration by the National Competition Council of whether it recommends a reduction in competition payments...'¹⁵

2.26 The Committee awaits the NCC's 1997-98 assessment document with interest and expects that the NCC will not shy away from responsibly exercising its discretion on making recommendations on dividend payments.

2.27 Details of what the NCC sees as the task ahead are set out in Table 1.2. Much remains to be done. The Committee is particularly impressed that the NCC has sought to note that jurisdictions may need to address the broader policy mix if the potential benefits of the reforms are to be reaped in full and used well.¹⁶ The Committee encourages all jurisdictions to address this matter.

Assessment of Commonwealth Government performance

2.28 States and Territories are assessed separately from the Commonwealth. In its annual report (dated 29 August 1997 and tabled 30 October 1997) the NCC noted that the Commonwealth was expected to provide its first annual progress report to the Council shortly.¹⁷ However, the competitive neutrality annual report 1996-97 was not available until

10 Evidence pp 6-7.

11 Evidence p 6.

12 Evidence p 24.

13 Evidence p 21.

14 Evidence p 21.

15 Evidence p 31.

16 *National Competition Council annual report 1996-97*, op. cit., pp 17-19.

17 *National Competition Council annual report 1996-97*, op. cit., p 41.

later in 1997 and the legislation review annual report 1996-97 was not available until February this year, just prior to the Committee's hearing with the NCC.¹⁸

2.29 Despite the lack of the Commonwealth's reports, in its annual report the NCC is critical of the Commonwealth's failure to undertake pre-privatisation reviews of Telstra and the Australian National Railways Commission. It also points out it is yet to see a community benefit case supporting two pieces of legislation that substantially restrict competition, that is, legislation regulating medicare provider numbers and proposed legislation maintaining restrictions on competition in the automotive industry.¹⁹

Further comments on the legislative review program

2.30 An issue of particular interest to the Committee is the legislative review process. As stated earlier this is currently an important area of competition reform implementation and addresses sensitive issues at the broader community level (such as reviews of the professions and review of statutory marketing arrangements that have a major impact in rural areas) and a that have very direct impacts for consumers.

2.31 At the hearing the NCC advised that it was not too concerned about the pace of reform in this area (only 100 reviews out of some 1800 completed at the time of the preparation of the NCC's annual report) because jurisdictions are only now getting into the implementation of their reviews.²⁰ It expanded on these numbers and its comments in a submission to the Committee stating:

In summary, the Council was satisfied with progress when it provided its first tranche NCP assessment report to the Treasurer in July 1997.

That said, the Council is concerned that the overall review program and consequent reforms may not be completed by the deadline of the year 2000 set out in the Competition Principles Agreement. This is because some significant reviews possibly requiring phasing of reform outcomes are scheduled for late in the review period. Two examples are the Commonwealth's review of the Wheat Marketing Act in 1999-2000 and the national review of pharmacy regulation proposed for 1999.²¹

2.32 Two areas of concern for the NCC with the legislative review program were the review process and the need for national reviews.

2.33 In addressing the review process it raised concerns regarding the membership of review panels and the need for their independence; the need for a full, open and transparent process; the bona fide of the process; and the importance of implementing the findings and not being swayed by political expediency.²² In fact, the NCC raised several of the matters

18 *Commonwealth competitive neutrality annual report 1996-97*. 1997. Canberra, AGPS, iii 19p. and *Commonwealth legislation review annual report 1996-97*. 1998. Canberra, AGPS, iii 29p.

19 *National Competition Council annual report 1996-97*, op. cit., pp 11-12.

20 Evidence pp 22-23.

21 Evidence p S2.

22 Evidence pp 23-24.

outlined by the Committee in its first recommendation in its *Cultivating Competition* report.²³ The Commonwealth Government agreed to that recommendation.

2.34 The Committee can only again encourage other jurisdictions to follow the elements of the review process set out in its *Cultivating Competition* report which have been reiterated and elaborated upon by the NCC. The NCC said it is prepared to recommend the withholding of NCP Payments if appropriate legislative review processes are not followed.²⁴ The Committee believes that this matter should be well publicised and monitored.

2.35 The review of Statutory Marketing Arrangements (SMAs) is a salient example of some of the problems with the review process, with the NCC finding problems with the reviews of the sugar industry in Queensland and rice marketing arrangements in NSW.²⁵ The NCC said its criticism is not of single desk selling - that would be pre-empting outcomes - rather it is critical of the nature of the reviews.

2.36 The NCC pointed to what it considered a benchmark SMA review: the review of the Australian Barley Board in Victoria and South Australia by the Centre for International Economics. The basis for that assessment was the careful and robust analysis of single export selling undertaken in the review.²⁶

2.37 Generally speaking, industry bodies claim all participants wish to retain SMAs. To that comment the NCC has a simple response: there is an increasing number of industry participants that do not share that view, and it refers to the alternative of voluntary collusive arrangements - section 51 of the Trade Practices Act that provides a very specific exemption for collusive voluntary arrangements relating to export markets.

Our simple message is to say, 'Test why it is that we have mandated vesting in single export desks. If it is a great benefit to everyone, let's move to voluntary vesting - that is, voluntary arrangements. If it is not a benefit, those who believe it is not a benefit ought to be free to go their own route. If they go their own route and find that by separate export processes they are disadvantaged, they will ultimately fall into line with the voluntary arrangements.' On the other hand, if they find there is an advantage in moving to voluntary export arrangement, maybe others will move into line with them.²⁷

2.38 Progress on SMAs will be a prominent area of assessment during the second tranche.²⁸

23 House of Representatives Standing Committee on Financial Institutions and Public Administration. June 1997, op. cit., pp 20-21.

24 Evidence p 24.

25 *National Competition Council annual report 1996-97*, op. cit., pp 74-76; and see Evidence pp 24-26.

26 Evidence p 25.

27 Evidence p 26.

28 Samuel, G. President NCC. February 1998. The second tranche of legislation review: The challenges facing governments and the Council. Paper presented to *The New Market Culture Conference, Melbourne, 16-17 February 1998*. Unpublished, p 7.

2.39 While most legislation reviews are scheduled to be conducted by individual jurisdictions, the NCP also provides scope for joint-jurisdictional and national reviews. National reviews result in a uniform regulatory position across jurisdictions, providing obvious benefits.²⁹

2.40 The professions, in particular, are interested in universal outcomes, rather than state by state reviews.³⁰ At the time the NCC's annual report was published, national reviews had been conducted in agriculture, veterinary and industrial chemistry legislation and food laws.³¹

2.41 In order to facilitate outcomes in the higher profile areas of the legislation review, the NCC said:

We are working with the states and territories on trying to coordinate some form of national process - it does not mean a centralised process, it means a coordinated process - to bring about those reviews...³²

2.42 The Committee supports the conduct of national reviews, especially as they relate to the professions.

NCC's first national review - Australia Post review

2.43 The most significant national review to date has been the review of the *Postal Corporation Act 1989*.

2.44 On 19 May 1997, following majority jurisdictional agreement, the Treasurer requested the NCC review the *Australian Postal Corporation Act 1989*. In September 1997, the NCC delivered a major options paper on the review.³³

2.45 At the hearing, the Committee expressed some concern about the implications of reforms to Australia Post based on the models contained in the options paper. Particular concerns related to satisfaction with the current arrangements, CSOs that Australia Post should provide and service access in regional Australia.³⁴

2.46 The final report has now been released and the NCC's key recommendations are:

In order to ensure the appropriate **social objectives** are met, the Council recommends:

- the retention of the letter delivery USO [universal service obligation] because the CSO [community service obligation] costs incurred are fully justified by the social benefits, and there is no effective alternative means of providing social benefits;
- that the uniform rate of postage apply to individuals and households posting standard size letters. Australia Post should be allowed to offer discounts to

29 *National Competition Council annual report 1996-97*, op. cit., p 71.

30 Evidence p 23.

31 *National Competition Council annual report 1996-97*, op. cit., p 71.

32 Evidence p 23.

33 National Competition Council. September 1997. *Review of the Australian Postal Corporation Act 1989: Options Paper*. Melbourne, NCC, xii 263p.

34 Evidence pp 26-28.

business customers, but no business should be charged more than the uniform rate for posting a standard size letter. The Government should review the possibility of introducing a maximum affordable charge for household letter service in [year] 2005;

- funding of the CSO by direct budgetary payments (If budgetary funding is not adopted, the Council believes that the industry levy is the best alternative method for funding CSOs); and
- that the Government negotiate CSO funding in advance for five year periods.

To ensure **increased competition** is achieved, the Council recommends that:

- business mail should be opened to competition. The minimum competitors can charge for those letters which remain in the monopoly (household mail) should be two times the standard letter rate; and
- inward international mail be opened to competition.³⁵

2.47 Two additional essential elements of the reform package were:

- the application of general pro-competition regulation plus limited special arrangements to restrict monopolistic behaviour by Australia Post in the transition to fully competitive business letter services and to ensure access on reasonable terms to Australia Post's CSO-funded services and post office boxes;
- licensing of all letter service providers to maintain minimum standards and ensure that Australia Post's competitors don't free-ride on its obligation to provide comprehensive services...³⁶

2.48 Those recommendations reflect the NCC's consistent views on how CSOs should be dealt with under competition policy.³⁷

2.49 The report now awaits the response of the Minister for Communications, the Information Economy and the Arts.

2.50 The Committee believes that funding arrangements for both existing and new CSOs should be transparent and assessed on a case-by-case basis.

2.51 Opposition members of the Committee are of the view that implementation of the Review recommendations would result in negative net community benefits and should therefore be opposed.

35 National Competition Council. February 1998, op. cit., p 17.

36 National Competition Council. February 1998, op. cit., p 7.

37 National Competition Council. January 1997. *Competitive neutrality reform: Issues in implementing clause 3 of the Competition Principles Agreement*. Canberra, Panther Publishing & Printing, pp 20-21.

Application of the reforms by local government

2.52 As previously outlined one of the areas where there have been difficulties in implementing the reforms is by local government.

2.53 In its *Cultivating Competition* report the Committee stated that one of the main issues for local government in the application of NCP to local government, and for some jurisdictions such as Queensland the main issue, '...is the absence of Commonwealth agreement to grant 'tax equivalent regimes' to local government business activities which may be candidates for corporatisation...'³⁸ Accordingly the Committee recommended that the Treasurer address this issue at the next meeting of Council of Australian Governments (COAG) as a matter of priority.³⁹

2.54 At the hearing the NCC advised that this issue has not been resolved, but it was receiving some attention.⁴⁰ It suggested that the issue could be addressed in a number of ways. One way was as part of the total Commonwealth-state tax and financial arrangements which is outside the NCC's ambit. A second way was '...for state governments that are, hopefully, in receipt of competition payments to allocate to local governments part of those competition payments where they perceive there to be a net financial disadvantage flowing from the implementation of competition policy.'⁴¹ Queensland is doing the latter.

2.55 In the Government's response to the *Cultivating Competition* report the Government agreed in principle to the Committee's recommendation on this matter but noted that the issue was being addressed through other fora. They are first the Commonwealth and States current review '...of existing Commonwealth/State taxation arrangements as they apply to business activities at the Commonwealth and State levels, including arrangements put into place under the Statement of Policy Intent.'⁴² Second, the Government's '...more fundamental taxation reform, including reform of Commonwealth/State financial relations.'⁴³

2.56 The Committee reiterates the importance of this matter being addressed as a matter of priority if there is not going to be a powerful disincentive for local government not to corporatise and that it is a matter for each State and Territory to decide if local government is to receive direct access to a share of the available Competition Payments.

Benefits, outcomes and implications of competition reform

2.57 The expected benefits from the competition reforms for ordinary Australians are price reductions, lower inflation, more growth, more jobs, and uniform protection of consumer and business rights across the whole country. More specifically the Industry Commission has

38 Inquiry into aspects of the National Competition Policy reform package, Queensland Government Evidence p S1156.

39 House of Representatives Standing Committee on Financial Institutions and Public Administration. June 1997, op. cit., p 52.

40 Evidence p 31.

41 Evidence p 31.

42 Government response, op. cit., p 11.

43 Government response, op. cit., p11.

estimated that the long run annual gain in real GDP is of the order of 5.5%, or \$23 billion a year, as a result of the cumulative effect of the Hilmer and related reforms.⁴⁴

2.58 In its annual report the NCC stated that:

In adopting the package, Australian governments knew it could fundamentally change the way Australians do business. Analysis at the time...suggested that it will provide opportunities for some, risks for others, but with potentially substantial net benefits overall - real GDP up to 5.5 per cent higher, for example...⁴⁵

2.59 In evidence and in its annual report the NCC outlined some of the implications of competition policy reform and whether the benefits of the reforms are flowing through.⁴⁶

2.60 At the hearing the NCC was able to point to some benefits arising from telecommunications, airlines and electricity deregulation particularly as they relate to the end consumer such as: lower prices for STD and international calls, discounts on local telephone calls, the possibility of international calls made on the Internet by various service providers; real average airfares were around 22% lower in September 1996 than their pre-deregulation level; and from November 1992 to May 1997 a typical Victorian household has benefited from a 9.2% real reduction in the unit cost of electricity with the Australian Chamber of Manufacturers finding that 78% of large customers receive a reduction of around 10% in energy costs of their negotiated rate and that is before the stage of full competition in the supply of electricity which is not expected to impact until into the next decade.⁴⁷ In addition, the annual report notes that freight rates for rail freight transport between Melbourne and Perth fell by around 40% following the introduction of competition on that route in 1995-96; and prices of government trading enterprises fell on average by around 15% in real terms over the four years to 1995-96.⁴⁸ Not all members of the Committee agreed with that interpretation.

2.61 The Committee also raised concerns about the distortion in benefits between metropolitan and rural areas and between large and small customers.

2.62 The NCC acknowledged that this '...is well recognised around the council table...'⁴⁹ It went on to say there are two aspects of this:

- the distribution of benefits from competition policy and whether the distribution occurs directly as it falls according to the market; and
- if there are any disadvantages that might flow from competition in terms of ensuring that services are available to all Australians wherever they might be at a reasonable price.⁵⁰

44 Industry Commission. *Economic impact of Hilmer and related reforms: Press release*, 10 March 1995, p 6.

45 *National Competition Council annual report 1996-97*, op. cit., p 21.

46 Evidence pp 7-18. and *National Competition Council annual report 1996-97*, op. cit., pp 21-35.

47 Evidence pp 8-14.

48 *National Competition Council annual report 1996-97*, op. cit. pp 29-30.

49 Evidence p 15.

50 Evidence p 15.

2.63 On the first, the NCC said:

...it is inevitable that in an uncontrolled fully competitive environment certain sectors will receive those benefits to a greater or lesser degree than other sectors. The question of whether the benefits of deregulation should be more evenly distributed then becomes a matter of government policy and it then becomes an extension of issues of community service obligations and universal service obligations.⁵¹

2.64 On the second, the NCC said this:

...can only be tackled by government dealing with universal service obligations and community service obligations. That is part of the ongoing regulation that will be required in any deregulatory regime to ensure that where there is a public policy that all Australians, wherever they live, should continue to receive an essential service and receive it at a fair price...⁵²

2.65 In further discussion of those matters the NCC commented on ensuring that the customer does not suffer a disadvantage, as distinct from an equal sharing of the advantage.

2.66 The need to ensure that the consumer does not suffer a disadvantage in service as a result of size and geographic differentials etc is achieved by various regulatory controls over standards of supply and price supply.

2.67 The equal sharing of advantage can only be achieved by government policy since, as previously discussed, it is inevitable in true competition the advantages will be shared disproportionately, as there will always be the power of the larger buyer even though there is flow down from those buyers to consumers. In the absence of competition there is no discipline to ensure that large buyers, smaller buyers and residential retail customers are all going to get the benefits of the most efficient supply of the best service at the lowest price and the flow-on effects.⁵³

2.68 The Committee's report on the Australian Competition and Consumer Commission's 1995-96 annual report recommended that the Treasurer initiate a study of the extent to which the benefits of competition are flowing through to rural and regional Australia.⁵⁴ In the Government response to that report (see Appendix 5) the Treasurer agreed to the study which is being undertaken by the Productivity Commission commencing towards the end of 1997-98. It is anticipated that the study will cover competition reforms introduced at all levels of government. At the time of drafting, terms of reference and background work were being undertaken. That study should provide more details on where the benefits from competition reform actually fall and according to the Government response help to ensure that the substantial benefits achieved from competition reform flow to all Australians. The Committee expects this report to have a significant impact on all government policies in regional Australia.

51 Evidence p 15.

52 Evidence p 15.

53 Evidence p 17.

54 House of Representatives Standing Committee on Financial Institutions and Public Administration. June 1997a. *Review of the Australian Competition and Consumer Commission 1995-96 annual report*. Canberra, AGPS, p 23.

2.69 In its *Cultivating Competition* report the Committee recommended that State, Territory and Commonwealth governments put in place measurement and monitoring systems so that the outcomes of implementing national competition policy can be adequately assessed in the future.⁵⁵ At the hearing the NCC integrated its comments on this issue with its response on public education. At the Commonwealth level the Government agreed in principle to that recommendation in its response to the *Cultivating Competition* report. However, it only refers to the regular assessments of progress by the NCC through their assessment reports and the jurisdictions annual reports and a future review of the operation of the system around year 2000 (as set out in the inter-governmental agreements).⁵⁶ This hardly amounts to an appropriate monitoring and measurement system.

Public education

2.70 In its *Cultivating Competition* report the Committee stressed that given the scope of the reforms and their widespread potential impact it is critically important that there is public education and discussion about the policy, its principles and outcomes. It recommended that all agencies involved in the implementation of national competition policy devote resources to ensure community understanding and debate about the contents of the policy and its outcomes.⁵⁷ The Government response to that report agreed in principle to the recommendation.⁵⁸

2.71 The NCC advised that public education is '...an important process and one that the council started to place some real priority on towards the beginning of 1997 and has been working on substantially over the past 12 months.'⁵⁹

2.72 It has initially focused on those groups that will feel the direct impact of the reform, that is, select groups that have benefited from anti-competitive restrictions in the past. The NCC said it will then go on to start working on a broader community education regime.⁶⁰

2.73 More recently the NCC has changed its approach to community understanding and debate, finding it more constructive to proceed through a continuous informal consultative process, rather than establish consultative committees, which the NCC sees as too institutionalised to be useful⁶¹:

...we have been engaging in an extensive consultative process around the country with interest groups at all levels - local government, consumer groups, environment groups, the unions, small business, big business, and community

55 House of Representatives Standing Committee on Financial Institutions and Public Administration. June 1997, op. cit., p 67.

56 Government response, op. cit., p 14.

57 House of Representatives Standing Committee on Financial Institutions and Public Administration. June 1997, op. cit., p 67.

58 Government response, op. cit., p 14.

59 Evidence p 3.

60 Evidence p 3.

61 Evidence p 5.

groups - that are impacted by competition policy reform to talk about the issues and to have people understand a lot better what our message is.⁶²

2.74 According to the NCC, the informal consultative method also allows for a targeted level of public education, with different groups requiring different approaches, contingent on their level of interest and understanding of competition policy.⁶³

2.75 While the NCC said some improvement has been made on the part of the community in understanding the reforms, it believes there is still substantial education required on the benefits of competition policy and therefore the rationale for undertaking the reforms. It notes this is a slow process.⁶⁴

2.76 The NCC advised that at the moment jurisdictions are not very involved in the selling process.

...There are one or two jurisdictions that are adopting a stronger and more robust approach to conveying the message. But I think it is fair to say that the robustness of approach to competition policy is very much reflective of government majorities in upper or lower houses.

...[It] is starting to be realised now as governments are appreciating that the year 2000 is fast approaching and that competition policy agreements require the majority of reform to be completed by the end of that year.⁶⁵

2.77 The NCC said it is taking a collaborative approach with governments on selling the reforms.⁶⁶

2.78 The Committee is encouraged with the progress of the NCC's work on public education as set out in evidence and its annual report and again urges other governments to become involved in that process. However, the Committee believes that the NCC's work with the interest groups and the broader community should proceed simultaneously. As the Committee stressed in its earlier report without this, support and understanding of the process will not develop and the momentum for the policy lost. This education process must evolve as the policy evolves, it cannot be left until later. Since the hearing it has become increasingly apparent that the failure to properly communicate with the broader community on competition policy is prejudicing the implementation of the policy and its benefits. The Committee reiterates the importance of its recommendation from its *Cultivating Competition* report.

2.79 The Committee believes public education on competition policy is primarily the responsibility of Governments and should not be left solely to the NCC. In this regard it is essential that Governments clearly propound not only the overall benefits of competition policy but also that they clearly explain the net community benefit that leads them to increase competition in a particular industry, and also the net negative community benefit that leads them to reject increased competition in particular industries.

62 Evidence p 5; and see *National Competition Council annual report 1996-97*, op. cit., p 44 and 218; and Samuel, G, op. cit., p 3.

63 *National Competition Council annual report 1996-97*, op. cit., p 44.

64 Evidence p 3.

65 Evidence p 4.

66 Evidence p 4.

2.80 Recommendation 1

That the Commonwealth, State and Territory Governments and agencies involved in the implementation of national competition policy devote resources to ensure community understanding and debate about the contents of the policy and its outcomes.

Dual role of the NCC: adviser and assessor

2.81 In its report *Cultivating Competition* the Committee considered the dual role of the NCC as both adviser to the Commonwealth, State and Territory governments on competition reform and as assessor of their progress in implementing the reforms. The Committee recommended that, following the completion of the July 1997 assessment round, COAG evaluate the dual role of the NCC to determine if both roles are appropriate.⁶⁷

2.82 At the hearing the NCC again recognised that there is tension in its dual role and attempted to clarify its views on the scope of the two roles. It made a clear distinction between its advisory work as part of the assessment process (describing this as part of its facilitation role) and its advisory role where it is requested as part of the NCP reform process to review and provide advice on appropriate policy reforms (for example, the NCC's national review of Australia Post as part of the legislative review program). In the latter case the NCC stated that:

...If we do a review on state and territory obligations and we make recommendations as a consequence of that review, that has an impact when it comes to assessing progress on reform implementation overall in the context of that review.⁶⁸

2.83 Regarding its facilitation role where it is providing advice to the community, public education of the community, advice to state/territory governments etc, the NCC said '...the assessment element is merely a tool that is used as part of the advisory role in that area.'⁶⁹

2.84 In the Commonwealth Government's response to the Committee's *Cultivating Competition* report the recommendation on this issue was the only recommendation that the Government disagreed with. It did not dispute the need for review of the dual role, but it did disagree with the timing of the review. The Government acknowledged the dual role and the associated tensions; it stressed the importance of effectively utilising the specialised skills of the NCC which have been established in both roles; it suggested that '...The approval of NCC's formal work program by all Parties limits the potential conflicts that may arise from the NCC's dual roles.'; and noted that 'Parties have the opportunity to review the need for, and the operation of the NCC after it has been in existence for five years'.⁷⁰

2.85 The Committee remains concerned about this issue. No one disputes the existence of the problem. The Committee expects that the significance of the conflict will loom larger if

67 House of Representatives Standing Committee on Financial Institutions and Public Administration. June 1997, op. cit., p 63.

68 Evidence p 37.

69 Evidence p 37.

70 Government response, op. cit., pp 11-12.

the NCC gets to the stage of recommending less than full competition payments if reforms are not implemented. The Committee will continue to monitor developments.

Committee's overall assessment of the NCC's performance

2.86 The NCC has made an encouraging start so far with its limited resources. The task however is becoming more challenging as possible difficult decisions on competition payments may have to be made; as the real work of the reforms begin, some in more politically sensitive areas; and as community questioning about the benefits and the implications of reforms become more prominent particularly in the absence of jurisdictional rigour in selling the reforms. It is critical that the NCC's (and other competition agencies') public education role be improved. The Committee will continue to monitor the NCC's progress in this increasingly more difficult task.

David Hawker MP
Chairman
25 June 1998

APPENDIX 1

LIST OF SUBMISSIONS

- 1 National Competition Council (Not available in PDF format)

APPENDIX 2

LIST OF EXHIBITS¹

- 1 Mr Graeme Samuel. President, National Competition Council.

Samuel, G, Chairman, NCC. The second tranche of legislation review: The challenges facing governments and the Council. Paper presented to *The New Market Culture Conference: A conference on competition policy and regulatory reform, 16-17 February 1998, Melbourne*. Unpublished, 12p.

1 The name, position and organisation of the person who provided the exhibit precedes the bibliographic details of the exhibit.

APPENDIX 3

LIST OF HEARINGS AND WITNESSES

Melbourne, Wednesday 25 February 1998

National Competition Council

Mr Graeme Samuel, President

Mr Ed Willett, Executive Director

APPENDIX 4

GOVERNMENT RESPONSE TO *CULTIVATING COMPETITION* REPORT

(Not available in PDF format)

APPENDIX 5

GOVERNMENT RESPONSE TO REVIEW OF AUSTRALIAN COMPETITION AND CONSUMER COMMISSION ANNUAL REPORT 1995-96: RECOMMENDATION 2¹

Recommendation 2

That the Treasurer initiate a study of the extent to which the benefits of competition are flowing to rural and regional Australia.

Response

Agreed

The Government wishes to ensure that the substantial benefits achieved from increased competition in the economy (resulting from numerous competitive reforms introduced by the Commonwealth, State and Territory Governments) flow to all Australians, including those who live in rural and regional Australia. The Treasurer intends to request that the Productivity Commission conduct a general review of the economic impact on the benefits to rural and regional Australia resulting from competition reforms introduced following implementation of the Hilmer Report. It is anticipated that this review will cover competition reforms introduced at all levels of government.

The Government believes that the most appropriate time to initiate this study would be towards the end of 1997-98. At that time, it should be possible to make a better assessment of the effects of various reforms which have been implemented and are now coming to fruition.

1 Financial Institutions and Public Administration Standing Committee - Report - Review of the Australian Competition and Consumer Commission annual report 1995-96 - Government response. In: *House of Representatives Hansard*, 3 March 1998, p 192.

COMMITTEE'S REVIEWS OF ANNUAL REPORTS

38TH PARLIAMENT

Review of the Reserve Bank of Australia annual report 1996-97
(Tabled 22 June 1998)

Review of the Reserve Bank of Australia annual report 1996-97: Interim report
(Tabled 23 March 1998)

Review of the Australian Competition and Consumer Commission annual report 1996-97
(Tabled 9 March 1998)

Reviews of the 1995-96 annual reports of the Reserve Bank of Australia, Australian Securities Commission and the Insurance and Superannuation Commission
(Tabled 29 September 1997)

Review of the Australian Competition and Consumer Commission's 1995-96 annual report
(Tabled 23 June 1997)

37TH PARLIAMENT

Review of the Reserve Bank of Australia's 1993-94 annual report and the Insurance and Superannuation Commission's 1993-94 annual report
(Tabled 25 September 1995)

Review of the Reserve Bank of Australia's 1992-93 annual report
(Tabled 29 August 1994)

