

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Structural Reform Group

Question No: 285

Topic: Benchmarks

Reference: Written

Senator: Roberts, Malcolm

Question:

Is it the case that the two main benchmarks for judging markets, and whether & how to regulate them, only exist in text books rather than the real world – ie perfect competition & natural monopoly?

Answer:

It is generally recognised that the level of competition in any particular market will depend on a range of factors. Some markets are highly competitive – for example, international commodities markets with many buyers and sellers, where no individual buyer or seller is able to materially influence prices. Some markets are less competitive – for example, markets with natural monopoly characteristics, such as those for electricity transmission.