



NATIONAL COMPETITION COUNCIL

MEDIA RELEASE

Level 12, Casselden Place
2 Lonsdale Street
MELBOURNE VIC 3000

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One Nation attack on competition policy unfounded

IMMEDIATE RELEASE

“One Nation’s attack on National Competition Policy in the Queensland Parliament yesterday demonstrates a substantial misunderstanding of what the policy entails”, the National Competition Council’s President, Graeme Samuel, said today.

“The Council’s 1998 Annual Report, which by pure coincidence was also released yesterday, shows that virtually every substantive criticism made of the policy by One Nation was wrong”, he said.

Competition policy is not economic rationalism

For example, in opening the debate, One Nation’s Dr Kingston described National Competition Policy as “the domestic extension of economic rationalism” which, he said, had the guiding principle of deregulation and was about “removing all constraints on economic activity.”

“However, as our report shows, competition policy does not require privatisation, blanket deregulation, free markets, ‘laissez faire’ economics, welfare cutbacks, contracting out by local councils, or reduced community services.” Mr Samuel said. “Where governments choose to do any of those things, it reflects a policy decision of the government in question — not a requirement of competition policy”, he added.

“I understand that it is useful to have a whipping boy to blame for peoples’ woes, but it is time that the people of Queensland were given the facts”, Mr Samuel said.

“For example, as our report demonstrates, many aspects of competition policy actually involve an increase in regulation. The policy also allows governments to maintain or even increase social services to disadvantaged communities.”

Competition policy is bringing benefits

Later in the debate, the One Nation member, Mr Knuth, stated “Just what are we getting out of the National Competition Policy? Nothing!”

“Again, our Annual Report proves that this is simply incorrect”, Mr Samuel said. “It documents benefits such as average reductions in electricity prices of up to 30 percent, cuts in gas prices of up to 50 percent, rail freight rates 40 percent lower, streamlined business licensing requirements, lower fees for professional services, cheaper prices for government services, and environmental benefits.” (The box overleaf contains the details).

“I suggest that anyone wanting the true picture of what competition policy is about, and the benefits it offers, should get a hold of our report”, Mr Samuel concluded.

Focus on public interest test welcomed

Mr Samuel welcomed the suggestion by the Queensland Treasurer, Mr Hamill, endorsed by the Parliament, to rigorously apply the public interest test to National Competition Policy in Queensland.

“As our report says”, Mr Samuel said, “some of the current concerns about competition policy stem in part from limited awareness of the public interest safeguards built into the competition policy processes. For example, when reviewing anti-competitive legislation, governments must explicitly consider the effects of reform options on an array of public interest matters. These include the environment, employment, regional development, social welfare and consumer interests as well as business competitiveness and economic efficiency. These matters are also relevant when assessing the merits of other competition policy matters.”

Mr Samuel said that every government should rigorously apply this test when reviewing competition matters. “Competition policy is not about competition for its own sake”, he added. “Rather, it is about using competition, where it is appropriate, to improve economic performance and community wellbeing.”

The Council's assessment role

However, Mr Samuel questioned criticism of the arrangement whereby the Council is required to assess whether governments have met their commitments under the NCP agreements.

“The Commonwealth Government is paying the states some substantial sums of money for the implementation of appropriate competition reforms. This is because the reforms should increase national income. The payments to the states are to ensure that the state governments who helped generate these benefits share in them.” Mr Samuel explained.

“But how could any state government — whether it be in Queensland or elsewhere — expect to share in benefits it plays no part in helping to generate?” Mr Samuel asked.

The Competition Council's main job is to assess whether states and territory governments have met their part of the bargain. "We are not looking for perfection, but we do need to be satisfied that governments have made bona fide efforts to meet their commitments.", Mr Samuel added.

"The states knew all this before they agreed to implement competition policy", he continued. "They should not blame us now for doing the job they gave us in the first place."

Some early outcomes from competition reform

- Electricity bills have fallen about 23 to 30 percent on average, and up to 60 percent in some instances, for those Victorian and NSW businesses covered by the national competitive market, while wholesale prices in Queensland have fallen by around 23 percent since its internal competitive electricity market commenced.
- Gas prices for major industrial users fell 50 percent after deregulation of the Pilbara market in 1995, while gas distribution tariffs are set to fall 60 percent by the year 2000 in NSW (compared to 1997 prices).
- Rail freight rates for grain in Western Australia have fallen by 21 percent in real terms since deregulation in 1992-93, while rail freight rates for the Perth-Melbourne route fell 40 percent, and service quality and transit times improved, following the introduction of competition in 1995.
- Conveyancing fees in NSW fell 17 percent between 1994 and 1996, after the abolition of the legal profession's monopoly and the removal of price scheduling and advertising restrictions, leading to an annual saving to consumers of at least \$86 million.
- Prices for the outputs of government trading enterprises fell on average by 15 percent, and payments to governments doubled, in the four years to 1995-96, due partly to competition reforms.
- In Queensland, ten of the seventeen largest local councils have implemented two part tariffs for water, resulting in an average saving in water usage of 20 percent in the first year.
- Following a review of business licensing in NSW that found significant duplication and overlap, some 72 licenses have been repealed and more are being scrutinised. Among other changes, 44 categories have been collapsed into just three.

For further comment contact:

Ed Willett on 0414 55 9999, or Graeme Samuel on 0414 33 5555.