



NATIONAL COMPETITION COUNCIL

MEDIA RELEASE

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Major benefits from competition reform — Council report

UNDER EMBARGO UNTIL AFTER PARLIAMENTARY TABLING

“Now three years into the National Competition Policy program, evidence of major benefits has begun to emerge”, the National Competition Council states in its 1998 Annual Report, released today.

“Price reductions of up to 40 percent for rail freight and 60 percent for energy give a striking indication of some of the benefits available from competition. They can substantially lower business costs and underpin business viability, particularly in price-sensitive export markets, the report states. “Lower prices will also boost household spending power” it continues.

The report documents evidence of benefits across a range of fields, including electricity, gas, rail freight, professional fees, government businesses, the environment and business licensing (see box overleaf).

The report also points out that removing domestic marketing monopolies for certain agricultural products can help farmers and rural communities as well as consumers. It can give farmers more freedom and control over their farm operations, save on administration costs, and unleash incentives for greater value-added manufacturing activities in rural and regional areas, the report says. The report cites cotton and winegrapes as examples of industries that have prospered without statutory marketing monopolies.

- Governments grasping the reform nettle (see overleaf)
- Governments must also address fairness and equity (see overleaf)

Governments grasping the reform nettle

The report states that “Notwithstanding some recent slippages, there has been impressive progress in implementing competition policy to date”.

But it also cautions that it is still early days in the competition program and that “considerable reform is still required if the prospective benefits are to be realised in full Australia-wide.”

In commenting on the report, the Competition Council’s President, Graeme Samuel, stated: “Competition Policy is an extremely far-reaching policy initiative. There were plenty of interest groups misrepresenting it and criticising it prior to the federal election. However, as this reports shows, the evidence now accumulating demonstrates that competition reform offers substantial benefits. Australia’s governments deserve credit for pushing ahead with this politically tough, but economically vital, policy agenda.”

Governments must also address fairness and equity

But while competition policy is now showing benefits, the report also emphasises that governments need to address equity and fairness, as well as economic growth and productivity.

“The changing nature of our economy and society suggests to the Council that the role for government to address equity is increasing”, the report says. “There is evidence of a greater dispersion of incomes and opportunities as we move to a so-called ‘post-industrial’ or ‘information age’ society. Work relying mainly on intellectual skills is generally attracting higher rewards...Meanwhile, people relying on other forms of work are generally losing ground”.

This means that “governments need to give more weight to equity issues when addressing...polices, such as tax, social security, community services and labour market programs, that are a relatively efficient means of delivering equity.”

The report notes that a rigorous approach to competition policy can also promote equity. Competition policy already contains various public interest safeguards to address equity issues, it points out, and several competition reforms will improve equity. It notes, for example, that lower power prices flowing from competition should help the poor more than the rich. It also cites the high incomes earned by certain professionals as an example of the inequities that can arise when competition is lacking.

The report also emphasises that “where a reform...will adversely affect a particular group, industry or community, governments should provide appropriate adjustment assistance to equip people to cope with change.”

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.

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