

## **Submission to the Productivity Commission Enquiry into Business Set-up Transfer and Closure**

Competitive Neutrality Victorian State Policy 2012 excerpts:

*“Government business should not enjoy any net competitive advantage simply as a result of their public sector ownership.*

*The inequalities of concern arise from differences in tax treatment, differences in the need to provide a return on investment, and related cost advantages or disadvantages which might impact on the prices that are set by government businesses.*

*The CPA does not provide a definition of ‘significant business activities’. The Government believes that in making a determination, relevant considerations include the size of the relevant business activity in relation to the size of the relevant market and its influence or competitive impact in the relevant market. An activity should not be regarded as significant or insignificant solely because of its size relative to the overall size of the public or local government business.*

*In Victoria, it is the responsibility of government agencies and local governments to determine if their business activities fall within the scope of competitive neutrality policy.*

*VCEC is responsible for achieving awareness of and compliance with competitive neutrality policy, including its interpretation and application.”*

This Policy is designed to protect private enterprises from overwhelming competition by state-subsidised agencies.

It has come to the attention of FBA (Family Business Australia) that a Victorian business has been undermined by a government agency which produces like goods for the last eight years as a result of the agency’s pricing structure which does not include market wages, GST, market capital costs, and rent.

This matter has been brought to the attention of the appropriate government body (VCEC). However the Policy allows the state agency to make the assessment of its own effect on the private enterprise.

In this case, the government agency has decided its competing business is not a significant part of its own business, and VCEC has informed the private enterprise that this means no complaint can be initiated by the private enterprise.

The business involved claims that the government agency has behaved aggressively towards them, and so is unwilling to reveal themselves or the agency at the centre of the ‘complaint’. Without some form of action (preferably realigning the agency’s product pricing to be equivalent to the marketplace) this enterprise will fold, after 43 years in business, by the end of 2015.

Family Business Australia  
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