

Department of Finance and Administration's comments on the Review of National Competition Policy (NCP) Arrangements

An integral part of the NCP is a policy of competitive neutrality (CN) between publicly owned business activities and competitors. The underlying rationale for this policy, introduced pursuant to the Commonwealth CN Policy Statement in 1996, is for efficiency in government operations by leveling the playing field so that the provision of government business goods and services can be compared with alternative suppliers.

From a Commonwealth perspective, CN has been widely implemented - the major impact has been on Government Business Enterprises. However, one key area remains in which the implementation of CN, from a Commonwealth perspective, probably could be clarified and/or improved: universities.

The ANU is the only Commonwealth university that is a Commonwealth Authorities and Companies Act 1997 body - however the ANU is not subject to direction by the Government by virtue of an exemption from section 28 of the CAC Act; consequently, prima facie, CN cannot be notified to the ANU as being a general policy of the Commonwealth Government.

It would be desirable for the Productivity Commission (PC) review to more comprehensively investigate the costs and benefits of requiring universities to implement CN given the proliferation of business like activities being conducted by universities - for example, general consulting and R&D.

NCP and related reforms to government procurement have created an environment that has fostered the development of innovative approaches to achieving better value for money in major procurements. In particular, the development of Private Financing/ Public Private Partnership (PF / PPP) policies represent an important way in which governments can invest effectively and productively in the community. The development of PF / PPP policies has also built on a key theme of the NCP framework - inter-jurisdictional cooperation. State and Federal jurisdictions have recognised the importance of cooperation in this policy area, culminating in the formation of a National Forum. Experience to date suggests PF / PPP arrangements can lead to better outcomes. Further experience with them is expected to add to the ability of governments to meet their commitments to the community in an efficient and effective way. The development and implementation of these policies is expected to have a tangible effect on the overall level of competence and knowledge of the public sector with regard to procurement.

The resilience of the Australian economy to economic shocks has been reinforced by two decades of micro-economic reforms. In order to maintain strong GDP growth, we will

need to continue with reforms to improve allocative efficiency and strengthen competition.

We consider that the Issues Paper has identified the key areas for further consideration.

In respect to energy market reforms, we suggest that there would be merit in examining the extent to which these issues could be further accelerated through NCP. Specifically, the reform of energy pricing arrangements should be a high priority, including removal of retail price caps and introduction of ‘demand-side’ options (e.g. differential energy pricing based on time-of-use) and the introduction of full retail contestability.

Reform in these areas could provide incentives for energy efficiency improvement (through pricing that reflects costs of energy supply) and minimise calls for Budget assistance and/or regulatory intervention (such as mandatory energy use reporting) in this area.

We note that the Energy Taskforce notes that progress in these areas under the CoAG framework could stall in light of State and Territory reluctance to tackle pricing reform. In this context, options to strengthen the energy market reform agenda agreed by CoAG through NCP arrangements should be explored.

The issue of rail and road transport reforms should be further examined, including scope for more accurate road pricing which could improve rail’s competitiveness with long distance road freight. We support the continued involvement of the NCP in promoting water reform, as discussed in ‘Unfinished NCP business’ (p8).

We note that the Commission is seeking to examine social and community services delivered by or on behalf of government. We support this suggestion, as it will produce worthwhile findings to improve service delivery in this area. We also suggest that taxation is another area where further reform could enhance the growth of productivity.

There appears to be a creeping trend towards re-aggregation in the electricity industry at the present time. Therefore, a further examination in relation to electricity and what the possible effects of re-aggregation (of generation, transmission and distribution) could be worth pursuing.