

10 June 2014



**Institute of
Chartered Accountants
Australia**

Professor Ian Harper
Chairman
Competition Policy Review
The Treasury
Langton Crescent
PARKES ACT 2600

By email: www.competitionpolicyreview.gov.au

Dear Professor Harper,

Competition Policy Review

The Institute of Chartered Accountants Australia (Institute) welcomes the opportunity to provide a submission on the Competition Policy Review Issues Paper (the Issues Paper). Appendix B includes more information about the Institute.

Key points

- Any reform of competition policy needs to consider the impact of the taxation system. An efficient and competitive taxation system needs to be part of the competition policy reform agenda.
- It is important that small business is supported through the competition review. Any change to regulation should be considered on a holistic basis and not just with respect to stand-alone legislation. Increasing compliance costs are threatening the participation of small business in certain sectors, including the financial services sector.
- The National Competition Policy (NCP) implemented in 1995 has stalled. Despite the gains experienced through the period 1995 to 2005, the process has slowed. This process should be revisited with the input of the Council of Australian Governments. It is important any attempt to revive the NCP includes a review of the Productivity Commission reports from 2005 and 2012 on the subject as well as a review to identify new areas for inclusion.

Should you have any queries concerning the matters discussed above or wish to discuss them in further detail, please contact me via email at: rob.ward@charteredaccountants.com.au; or telephone (02) 9290 5623 or Geraldine Magarey at Geraldine.magarey@charteredaccountants.com.au or (02) 9290 5597.

Yours sincerely,

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Appendix A

1. Competition Policy

The priorities for competition policy reform should include the impact of taxation on competition. An efficient and competitive taxation system should complement any competition policy reform. The two elements together will help in attracting investment into Australia as well as ensuring local based organisations are able to compete. It will also ensure organisations are able to compete for human capital in what is an increasingly global market. Any review of taxation policy needs to consider all aspects of the current taxation system including the goods and service tax (GST).

2. Regulatory Impediments to Competition

Regulation when viewed on a stand-alone basis is often of value and serves an important purpose. However, legislation is rarely viewed holistically from an administrative and cost perspective. Although rising compliance costs are an impediment to all business, some small businesses risk being driven out of business through increased regulation. The vertically integrated financial services is putting pressure on small independent providers and limiting choice for consumers. With an ageing population, the need for financial advice will continue to grow.

It is important that regulation of the financial services industry continues to protect consumers but also provides protection through competition of providers with small, independent providers not being driven out of business through increasing compliance costs.

3. Government-Provided Goods and Services in Competitive Neutrality

The National Competition Policy was introduced in 1995 and was the start of a reform program which was undertaken over the next decade. The NCP has delivered huge benefits to the Australian economy over the years. The Productivity Commission (PC) in its February 2005 report found that the NCP had:

- Contributed to the productivity surge that has underpinned 13 years of continuous economic growth, and associated strong growth in household incomes;
- Directly reduced the prices of goods and services such as electricity and milk;
- Stimulated business innovation, customer responsiveness and choice; and
- Helped meet some environmental goals, including the more efficient use of water.

The PC identified a number of priority areas for future competition reform:

- Energy
- Water
- Freight transport
- Passenger transport
- Communications

Despite the passage of time, these reforms have stalled and largely are still outstanding. While the PC report of 2005 and a follow-up report in 2012 identify some areas of focus for the current review, it is important these issues are considered with regard to the current environment.

It is important the Council of Australian Governments (COAG) is involved in setting the reform agenda as the various state governments will be crucial to the successful reform of these priority areas.

Appendix B

About the Institute

The Institute represents accounting and business professionals in Australia and around the globe. Members strive to uphold financial integrity through a commitment to ethics and acting in the public interest.

We focus on educating candidates through the Chartered Accountants Program and engage in advocacy and thought leadership underpinned by our members' knowledge and experience. We influence a range of policy areas impacting the Australian economy and domestic and international capital markets.

A watershed member vote in 2013 set the course for the Institute to amalgamate with the New Zealand Institute of Chartered Accountants (subject to obtaining formal government approvals and effecting amendments to constituent documents), with the vision of becoming the trusted leaders in business and finance.

The proposed new institute – Chartered Accountants Australia and New Zealand – is expected to have more than 90,000 members in total with 17,000-plus candidates, giving us greater scale and influence on the world stage.

We are on the Board of the International Federation of Accountants, and are connected globally through the 800,000-strong GAA and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

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