

17 November 2014

Competition Policy Review Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

By email: Contact@CompetitionPolicyReview.gov.au

Dear Review Secretariat

Review of National Competition Policy – DRAFT REPORT

CANEGROWERS welcomes the opportunity to make a submission in response to the draft report of the Competition Policy Review.

CANEGROWERS supports the Panel's observation that reinvigorating Australia's competition policy is essential to help meet the economic challenges and opportunities the Australian economy faces now and into the future. Nowhere is this more the case than in the Australian sugar industry.

The growth, development and vibrancy of Australia's rural and regional communities depends on the international competitiveness of the largely export oriented agricultural sector of these industries. Like many other agricultural industries, Australia's sugar industry faces several challenges in its operating environment. It is important that Australia's national competition policy framework addresses competition issues confronting agriculture in both its outputs and inputs markets.

The two issues at the centre of our concerns that have not adequately been addressed in the draft report relate to:

1. addressing the imbalance in market power between cane growers and the regional mill monopsony they supply

National competition policy must go further than focusing on making markets work in the long term interests of consumers. It must also work in the long term interests of sellers facing anti-competitive market practices of monopsonist buyers of their products.

A national competition policy that is 'fit for purpose' must enable regulatory solutions that address market failure and stop abuses of market power, whether they occur in upstream or downstream transactions. CANEGROWERS supports the notion that market regulation to level 'the playing field' should be as 'light touch' as possible.

2. the regulation of electricity and water assets in a manner that addresses the needs of the asset owners at the expense of electricity and water users

CANEGROWERS is concerned that national competition policy principles are applied to water and electricity assets in a way that favour the asset owners at the expense of the users of the essential services they provide. A regulated pricing framework that provides a guaranteed return on regulated assets switches the risk of poor investment decisions from the asset owners to consumers. The effect is to generate excessive profits for asset owners and excessive input prices and costs for the users of their services.

Australia's regulated electricity is very complex. It enables asset owners to shift the blame of poor investment decision to the asset operators, the asset operators to game the system by overinvesting in infrastructure and receive inflated returns from prices determined by notionally independent authorities that are, in effect, captive to a regulatory pricing framework that does not enable them to take account of their pricing decisions on consumers.

The regulatory framework has driven excessive price increases, with the excesses acknowledged by all. The Chief Executive of Queensland electricity provider, Ergon Energy, says there is 'no argument' the price hikes of recent years have hurt the State's agricultural sector¹. Yet, decision makers are seemingly powerless to address the needs of consumers. Neither the regulatory framework overseen by the Australian Energy Regulator (AER) for transmission and distribution companies or the regulated retail price determination process overseen in Queensland by the Queensland Competition Authority (QCA) take account of the impact of their decisions on consumers. As a result, electricity transmission businesses in Queensland are far from being efficient or competitive, the international competitiveness in Australia's traded goods sector is reduced and the risk of asset stranding in the electricity network caused by users switching to alternative energy sources is increased.

CANEGROWERS supports and endorses the issues and concerns raised by the National Farmers Federation (NFF) in its response to the draft report.

CANEGROWERS is available to expand on any of the issues raised in this submission. If you have any further questions, do not hesitate to contact Warren Males on (07) 3864 6444.

Yours faithfully



Brendan Stewart
CHIEF EXECUTIVE OFFICER

¹ <http://www.abc.net.au/news/2014-11-10/power-price-hikes-hurting-ag-ergon-energy-ceo/5880308>