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

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Dear Professor Harper,

SUBMISSION TO COMPETITION POLICY REVIEW DRAFT DECISION

We welcome this review and the opportunity to respond to the *Competition Policy Review* draft report. We consider that the Panel's draft position has delivered an effective blueprint to use competition to drive the next round of reforms and productivity improvements across Australia.

IPART is the independent economic regulator in New South Wales. We also serve as the NSW Government's economic advisor and policy think tank. Our role makes us well-placed to comment on aspects of competition policy.

The draft report addressed many of the issues that we discussed in our initial submission. We are generally supportive of the positions that the panel took in relation to matters that we raised and offer some further commentary on some matters in this submission. In particular, we support:

- ▼ **Defined and transparent non-commercial objectives for State-owned corporations.** We consider this to be an important condition that will promote competition from the private sector.
- ▼ **Initiating competition in markets traditionally serviced by governments** and extending the principles of competitive neutrality to these markets.
- ▼ The extent and design of proposed reforms to the **taxi industry**. We resubmit that regulatory objectives such as safety should be considered directly and separately from licence plate restrictions. Safety objectives should not be pursued indirectly through restricting the number of licences or regulating the price or quality of booking services.
- ▼ The Panel's proposed reforms to the **energy industry**. We support applying the National Electricity Retail Law in all NEM jurisdictions to minimise the cost of providing retail services. We also commend the NSW Government's decision to deregulate electricity retail prices and recommend that retail gas prices are also deregulated.

- ▼ Introducing a consistent approach to **road pricing**. Roads are the least reformed of all infrastructure sectors. Australia has a piecemeal and inconsistent approach to road pricing. We support the Panel's proposal to introduce an effective road pricing system using new technologies, and withdraw indirect road charges.
- ▼ The Panel's proposal for **competition payments** to redistribute the benefits of reform to States and Territories. These payments proved to be an effective mechanism to provide impetus for State Governments to undertake previous reforms.

We had identified further opportunities for reform in the urban water industry. The draft report outlines a proposal to begin some meaningful reforms of the urban water industry. However, we consider that this could be given more attention in the final report as there is a major opportunity to deliver benefits for customers and the economy as a whole, through more cost reflective pricing regimes and opening up access to water infrastructure.

We also consider that the licensing framework that IPART developed as part of our review of red tape regulation could be adapted for use in other jurisdictions. While the draft report summarises our licensing framework (p 99), we note that neither our approach nor an alternative have been adopted as a means to evaluate red tape. We resubmit that such a framework is an effective and portable tool for this purpose.

The draft report envisages a new institutional framework for pricing regulation in Australia. There is scope to improve the functioning of the current institutional framework to deliver better outcomes for customers. We note that there are a number of regulatory responsibilities split between organisations. In principle, we support consolidating regulatory functions, along the lines that regulation in State or Territory based markets, such as urban water and public transport, be carried out by State/Territory based regulators. For markets, such as electricity, which cover more than one jurisdiction, a national regulator might be more appropriate.

We would be happy to provide further assistance to your Panel and Secretariat for this important review. Please contact Ms Anna Brakey on 02 9290 8438 if you have any questions.

Yours sincerely



Peter J. Boxall AO
Chairman