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RECEIVED

19 JAN 2015

Competition Policy Review Secretariat
The Treasury
Langton Crescent
PARKES TAS 2600

Dear Professor Harper

Competition Policy Review Draft Report

The Tasmanian Government considers that competition has a central role to play in increasing the productivity of our economy and raising living standards and welcomes the *Competition Policy Review Draft Report* as an important step to improving the competitiveness of the economy.

The Government supports many of the recommendations in the Draft Report. In particular, the Government strongly supports the Panel's recommendation in relation to restrictions on cabotage and other measures that constrain international shipping as Tasmania is reliant on shipping services for a very large share of its exports and imports.

The Government also supports the Panel's recommendation that the Productivity Commission is tasked to undertake a study of competition reforms agreed to by the Commonwealth and state and territory governments to examine the allocation of fiscal benefits of reforms for each jurisdiction and determine whether competition policy payments are required to ensure these benefits are appropriately shared.

On the issue of the exemption to the secondary boycott provisions in the *Competition and Consumer Act 2010* for environment-related conduct, which the Government raised in its earlier submission, I note that the Panel raises some questions in the Draft report and is yet to form a view on this issue. In light of the importance of resource-related businesses in Tasmania and the activities of certain environment-related organisations over recent decades since the exemption has been in force, the Government recommends that a separate inquiry be undertaken by an independent body such as the Productivity Commission or the Australian Competition and Consumer Commission into the public interest of retaining this exemption.

The Tasmanian Government supports the Panel's recommendation to increase choice and competition principles in the field of human services but suggests that the Panel, in finalising its recommendation in this area, give equal weight to other objectives including equity of access, universal service provision and minimum quality.

Tasmania is a small jurisdiction and the implementation of greater contestability in human services will bring costs and benefits. The implementation of the National Disability Insurance Scheme has already shown that Tasmania's scale can mean that well-functioning markets can be difficult to achieve. As well, there is an emerging trend in Tasmania towards less diversity in service provision, with the field characterised by a few large service providers. The introduction

of contestability measures must therefore be carefully managed to ensure small, specialised providers, many of which are in the community or not-for-profit sectors, are not lost from the market. Equally, it is important that any measures to introduce greater competition do not impact on the very important contribution to human services across Tasmania from volunteers.

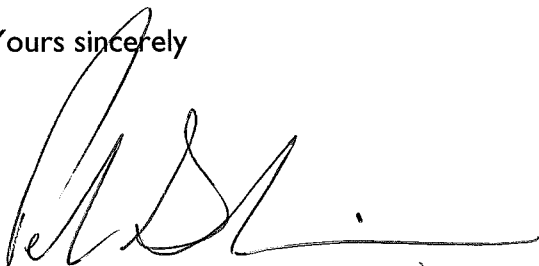
In Tasmania, full retail contestability in the electricity supply industry commenced on 1 July 2014. The Tasmanian Government supports the deregulation of electricity retail prices, as recommended by the Panel, but only when there is effective retail competition. In its most recent assessment of the state of competition in electricity and natural gas retail markets, the Australian Energy Market Commission found that competition in the Tasmanian electricity market is not effective at this time.

I note that the Panel suggests that further benefits could be realised from the transfer of non-price regulatory functions relating to the electricity supply industry, such as setting reliability standards and licensing, to the Australian Energy Regulator. Tasmania has already transferred responsibility for electricity retail licensing in full to the AER. Tasmania's position with regard to the regulation of network reliability standards in particular is that the individual jurisdictions need to retain sufficient flexibility to be able to respond to issues that may be specific to that jurisdiction.

The Tasmania Government recognises that there may be efficiency gains from pricing for road use for heavy vehicles and from establishing a Road Fund for future investment in road infrastructure. The Government is not in a position to support these measures at this stage as the issues are highly complex and significant further analysis is required. Furthermore, these measures will have to be considered in the context of broader investigation of road reform for heavy vehicles. The Transport and Infrastructure Council has agreed to investigate potential model trials through the Transport and Infrastructure Senior Officials Committee and the Tasmanian Government will continue to support this work through its membership on this group.

Finally, the Government considers that if new competition bodies are to be established, the arrangements that currently apply under the *Conduct Code Agreement* regarding nomination of persons and appointment of members to the ACCC should apply to members of any new bodies. This would ensure that the views of states and territories are fully taken into account before appointments are made.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Gutwein', with a long horizontal flourish extending to the right.

Hon Peter Gutwein MP
Treasurer