



# JOINT PRESS RELEASE

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## **REVIEW OF COMPETITION POLICY**

The Government will undertake a comprehensive review of competition laws and policy, the first in more than 20 years.

The 'root and branch' review delivers on a key election commitment and will help identify ways to build the economy and promote investment, growth and job creation.

The competition review will examine not only the current laws but the broader competition framework, to increase productivity and efficiency in markets, drive benefits to ease cost of living pressures and raise living standards for all Australians.

The last comprehensive review of competition policy – the Hilmer Review – was carried out in 1993 and much has changed in Australia's economy since then.

Competition policy has contributed significantly to productivity and price changes in key sectors and in 2005 the Productivity Commission found that the changes resulting from the Hilmer Review increased Australia's GDP by 2.5 per cent.

The Federal Government has provided the states and territories with draft terms of reference for a competition review. The review panel will be established shortly so that we can have a final report within 12 months.

This review is long overdue and will help identify microeconomic reforms and long-term improvements to build strong foundations for a more productive and competitive 21st century Australian economy.

The Government looks forward to working with the review panel over the coming months, and we encourage all interested parties to participate through public hearings and submission processes.

4 December 2013

# **'ROOT AND BRANCH' REVIEW OF COMPETITION LAWS**

## **DRAFT TERMS OF REFERENCE**

### **Background**

The National Competition Policy (NCP) contributed significantly to Australia's welfare over the past two decades. In 2005, the Productivity Commission found that the NCP and related reforms contributed to productivity and price changes in key sectors, which increased Australia's GDP by 2.5 per cent.

The last thorough review of competition policy was led in 1993 by Professor Fred Hilmer which established the framework largely in place today. However, since then the Australian economy has grown and changed substantially. It is timely to examine whether these earlier reforms continue to be 'fit for purpose' for the current and emerging economy.

Effective reforms achieve long-term competitiveness, promote investment, increase productivity, support higher real wage growth and increase Australian living standards.

With this in mind, the Government is looking to further engage the engine of competition to broaden durable benefits for Australians, foster economic prosperity and enterprise that enables efficient business – including small businesses – to grow and prosper, promote Australian businesses, attract investment, and establish a footing for exports.

### **Scope of the review**

1. The Review Panel is to inquire into and make recommendations on appropriate reforms to improve the Australian economy and the welfare of Australians, not limited to the legislation governing Australia's competition policy, in regard to achieving competitive and productive markets throughout the economy, by identifying and removing impediments to competition that are not in the long-term interest of consumers or the public interest, having regard to the following principles:
  - 1.1. no participant in the market should be able to engage in anti-competitive conduct within that market and its broader value chain;
  - 1.2. productivity boosting microeconomic reform should be identified, centred on the realisation of fair, transparent and open competition that drives productivity, stronger real wage growth and higher standards of living;
  - 1.3. government should not be a substitute for the private sector where markets are, or can, function effectively or where contestability can be realised; and

- 1.4. the need to be mindful of removing wherever possible, the regulatory burden on business when assessing the costs and benefits of competition regulation.
2. The Review Panel should also consider and make recommendations where appropriate, aimed at ensuring Australia's competition regulation, policy, and regulatory agencies are effective in protecting and facilitating competition, provide incentives for innovation and creativity in business, and meet world's best practice.
3. The Review Panel should also consider whether the *Competition and Consumer Act 2010* (CCA) and regulatory agencies are operating effectively, having regard to the regulatory balance between the Commonwealth and the States and Territories, increasing globalisation, changing market and social structures, technological change, and the need to minimise business compliance costs, including:
  - 3.1. considering whether Australia's highly codified competition law is responsive, effective and certain in its support of its economic policy objectives;
  - 3.2. examining whether the operations and processes of regulatory agencies are transparent, efficient, subject to appropriate external scrutiny and provide reasonable regulatory certainty;
  - 3.3. ensuring that the CCA appropriately protects the competitive process and facilitates competition, including by (but not limited to):
    - 3.3.1. examining whether current legislative provisions are functioning as intended in light of actual experience and precedent;
    - 3.3.2. considering whether the misuse of market power provisions effectively prohibit anti-competitive conduct and are sufficient to: address the breadth of matters expected of them; capture all behaviours of concern; and support the growth of efficient businesses regardless of their size;
    - 3.3.3. considering whether areas that are currently uncertain or rarely used in Australian law could be framed and administered more effectively;
    - 3.3.4. considering whether the framework for industry codes of conduct (with reference to State and Territory codes where relevant) and protections against unfair and unconscionable conduct, provide an adequate mechanism to encourage reasonable business dealings across the economy—particularly in relation to small business;
    - 3.3.5. whether existing exemptions from competition law and/or historic sector-specific arrangements (e.g. conditional offers between related businesses and immunities for providers of liner shipping services) are still warranted; and

- 3.3.6. considering whether the National Access Regime contained in Part IIIA of the CCA (taking into account the Productivity Commission's recent inquiry) is adequate, and
  - 3.4. whether competition regulations, enforcement arrangements and appeal mechanisms are in line with international best practice and:
    - 3.4.1. foster a productive and cost-minimising interface between the Australian Competition and Consumer Commission (ACCC) and industry (for instance, through applications for immunity or merger clearances) that is simple, effective and well designed;
    - 3.4.2. provide appropriate mechanisms for enforcement and seeking redress including:
      - whether administration and enforcement of competition laws is being carried out in an effective, transparent and consistent way;
      - whether enforcement and redress mechanisms can be effectively used by people to enforce their rights—by small businesses in particular; and
      - the extent to which new enforcement powers, remedies or enhanced penalties might be necessary and appropriate to prohibit anti-competitive conduct, and
    - 3.4.3. can adequately address competition issues in emerging markets and across new technologies, particularly e-commerce environments, to promote entrepreneurship and innovation.
4. The Review Panel should inquire into and advise on appropriate changes to legislation, institutional arrangements and other measures in relation to the matters below, having regard to the impact on long-term consumer benefits in relation to value, innovation, choice and access to goods and services, and the capacity of Australian business to compete both domestically and internationally. In particular, the Review Panel should:
  - 4.1. examine the structure and behaviour of markets with natural monopoly characteristics with a view to determining whether the existing regulatory frameworks are leading to efficient outcomes and whether there are opportunities to increase competition;
  - 4.2. examine whether key markets – including, but not limited to, groceries, utilities and automotive fuel– are competitive and whether changes to the scope of the CCA and related laws are necessary to enhance consumer, producer, supplier and retailer opportunities in those markets and their broader value chains;
  - 4.3. consider alternative means for addressing anti-competitive market structure, composition and behaviour currently outside the scope of the CCA;

- 4.4. consider the impact of concentration and vertical integration in key Australian markets on the welfare of Australians ensuring that any changes to the coverage and nature of competition policy is consistent with national economic policy objectives; and
- 4.5. identify opportunities for removing unnecessary and inefficient barriers to entry and competition, reducing complexity and eliminating administrative duplication.
- 4.6. consider ways to ensure Australians can access goods and services at internationally competitive prices, including examining any remaining parallel import restrictions and international price discrimination.
5. The Review Panel should also examine whether government business activities and services providers serve the public interest and promote competition and productivity, including consideration of separating government funding of services from service provision, privatisation, corporatisation, price regulation that improves price signals in non-competitive segments, and competitive neutrality policy.
6. The Review Panel should consider and make recommendations on the most appropriate ways to enhance competition, by removing regulation and by working with stakeholders to put in place economic devices that ensure a fair balance between regulatory expectations of the community and self-regulation, free markets and the promotion of competition.

The Review Panel should consider overseas experience insofar as it may be useful for the review.

The Review Panel may, where appropriate, draw on (but should not duplicate or re-visit) the work of other recent or current comprehensive reviews, such as the Commission of Audit and the Cost-Benefit Analysis and Regulatory Review for the National Broadband Network.

The Review Panel should only consider the Australian Consumer Law (Schedule 2 of the CCA) and corresponding provisions in Part 2, Division 2 of the *Australian Securities and Investments Commission Act 2001*, to the extent they relate to protections (such as from unfair and unconscionable conduct) for small businesses.

## Process

The Review Panel is to ensure thorough engagement with all interested stakeholders. At a minimum, the Review Panel should publish an issues paper, hold public hearings and receive written submissions from all interested parties.

The Review Panel should subsequently publish a draft report and hold further public consultations, before providing a final report to the Government within 12 months.

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