
Unfinished business – the next stage of competition policy

Professor Stephen King
The University of Melbourne

Overview

- Where have we come from?
 - Unfinished business
 - Balancing regulation and investment
 - Unfinished restructuring
 - Reforming the 'demand side'
 - Institutional restructuring
-

Where have we come from

- Tariff and trade reforms since the early 1970s
 - Financial market reform in the mid-1980s
 - Telecommunications reform since the late 1980s
 - The Hilmer reforms
 - Access, Legislative Review, GBEs and Professions
 - Gas, Electricity, Transport, Water
 - Increased cases under the Trade Practices Act and Dawson
-

Unfinished business 1 – regulation and investment

- Regulation in Gas, Electricity, Transport
 - Based on poorly constructed frameworks with bad incentives
 - Has led to game playing and significant disputes
 - Is not based on best practice (e.g. benchmarking)
 - May lead to significant reduction in investment over time
-

Unfinished business 1 – regulation and investment *solutions*

- Reform the regulation
 - Parts of the ACCC are leading the way but the State regulators are lagging
 - Take a ‘light handed’ approach to new investment
 - Don’t regulate if negotiated contracts will do the job
 - ‘Access holidays’ if subject to regulation
-

Unfinished business 2 – restructuring

- Large integrated suppliers can undermine reforms
 - *Solutions*
 - Break up Telstra
 - Avoid anti-competitive reintegration (e.g. electricity)
-

Unfinished business 3 – reforming the demand side

- In many reforms the customers are either forgotten or treated ‘with kid gloves’
 - Examples
 - Electricity – real time metering
 - Water – going beyond propaganda
 - Transport – making users pay
-

Unfinished business 3 – reforming the demand side *solutions*

- Speed up real time metering in electricity along with ‘smart’ appliances
 - Create sensible water prices that allocate water between uses: urban v rural use; environmental uses
 - Real time tolls on urban roads reflecting congestion and pollution costs, funds directed to modes of transport that avoid these costs (e.g. public transport)
-

Unfinished business 4 – institutional restructuring

- Competition issues are becoming more complex and need expert input on legal, economic, and financial issues – *are our institutions up to the job?*
 - *Solutions:*
 - Arms-length board of experts for ACCC (*cf.* the RBA)
 - Assistance to judges on the Federal court (*cf.* the Australian Competition Tribunal and the High Court of NZ)
-

Conclusion

- We have come a long way *but*
 - Some past reforms have been badly implemented and need to be redone;
 - Some reforms were skirted for political reasons and must be faced (e.g. Telstra)
 - Reform has focused on producers. It is now the consumers' turn!
-