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Director
National Competition Policy Unit
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The Treasury
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Dear Director

The Tasmanian Government recognises the important role of competition in driving a productive and innovative economy and welcomes the opportunity to provide a submission to the Revitalising National Competition Policy consultation.

We support a revitalised National Competition Policy (NCP) that delivers meaningful and enduring policies and practices that will boost productivity and provide a framework for embedding the Competition Principles in government decision making.

One of the key factors in the previous success of the NCP was flexibility in implementation. Small jurisdictions like Tasmania are typified by unique economic and social characteristics that require individual consideration rather than a one-size fits all approach. Recognising these fundamental differences and allowing an adaptable approach to implementation will ensure that a revitalised NCP delivers benefits to all states and territories.

The Tasmanian Government encourages Competition Principles that are clear, simple and retain flexibility to determine whether they are appropriate on a case-by-case basis. Changes to the Principles should be limited and well-informed by evidence. From our perspective, the Principles continue to meet their objectives and few changes are necessary to ensure they continue to do so. We believe Hilmer's original policy objective to seek to facilitate effective competition, rather than pursuing competition *per se*, remains valid. Effective mechanisms need to be in place to avoid pressure on small jurisdictions to implement actions that are not in their best interest or would not serve to deliver the intended benefits.

The current Principles for structural reform of public monopolies are neutral with respect to the nature and form of business ownership. A shift in this principle would not be in the best interest of consumers and the merits of structural reform should continue to be reviewed by governments without prejudice.

The public interest test, enshrined in the current Competition Principles agreement, recognises the need for balance in decision making and, where appropriate, the Principles should continue to allow governments to take into account other social goals and community welfare considerations, including community service obligations as well as the interests of consumers.

The Tasmanian Government supports the extension of the Principles so that the benefits of competition, where appropriate, are experienced in different markets. However, the NCP should maintain integrity by seeking to facilitate and promote effective competition rather than competition for competition's sake. In this light, it is important to recognise that in some small markets, competition may not always be the best outcome to deliver services to consumers. This is particularly relevant for Tasmania.

A difficult challenge for NCP will be in supporting Australian businesses compete in both local and international markets. The simple principle of fair competition between all economic players requires all participants to be bound by the same set of rules and conditions. A revitalised NCP should seek to address any imbalance by considering potential market distortions in government decision making.

Another cornerstone of the previous success in NCP was incentive payments. Such payments encourage and enable reform and also provide compensation to states and territories when the reform benefits accrue mainly to the Commonwealth. Confirmation of incentive payments from the Australian Government will be required ahead of Tasmania committing to implement any specific reform.

The Tasmanian Government considers the broad themes of reform identified in the paper capture those areas where significant barriers to competition are potentially creating market distortions. In particular, we see a range of benefits from reforms that increase the effective supply of labour which could lead to increased economic activity; reduced operating expenses; and improved service performance. The Tasmanian Government encourages the Taskforce to draw from experiences in other jurisdictions in considering reform options and consider the broader costs and benefits at both a national and regional level.

To ensure success of a revitalised NCP, the Tasmanian Government supports strong institutional and governance arrangements. All levels of government should seek to support and enhance competition across existing, new and emerging markets by fostering market conditions that are favourable for the entry and growth of new businesses, products and service offerings. In our view, the National Competition Council (NCC) has the characteristics required to best monitor progress of the reform program and act as steward, while a national forum made up of representatives from states and territories could be formed to collaborate and share knowledge.

I look forward to the results of the Productivity Commission modelling work and further collaboration with the Commonwealth, states and territories to implement the next phase of NCP in Australia.

Yours sincerely



Hon Michael Ferguson MP
Deputy Premier
Treasurer

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