



13 May 2024

Alex Robson, Deputy Chair
Dr Stephen King, Commissioner
Productivity Commission
Via email: ncp@pc.gov.au

Dear Mr Robson and Dr King

RE: Productivity Commission study - impacts of national competition policy reforms

Thank you for the opportunity to provide input toward the Productivity Commission's analysis of potential national competition policy reforms. This is a joint submission made on behalf of CHOICE and the Consumers' Federation of Australia.

We welcome the Government's review of competitiveness across the Australian economy and the involvement of the Commission in assessing reforms proposed by the Council on Federal Financial Relations (CFFR).

We urge the Commission undertake an analysis that provides meaningful insights to the Government beyond the likely impact on the national, state and territory economies. We are pleased to see that the Productivity Commission intends to assess how segments of the economy are likely to be affected, including the impact on consumers and households.

In this respect, consideration should be given to the direction in the Treasurer's terms of reference to assess the distributional impacts the reforms would have on Australian households, and to take a broad approach to measuring consumer wellbeing. Our submission recommends specifically accounting for those matters that can be modelled in the Commission's CGE models, but we also encourage the consideration of metrics that may not be capable of capture by model outputs alone.

Make identifying distributional impacts a priority

There are major differences in income, personal characteristics, physical location and many other factors amongst consumers in Australia. The assessment of the Government's reform options for competition policy must be sufficiently robust and nuanced to consider the disparity in the situations of various groups of consumers, and identify if groups will be left behind by the reforms.

We urge the Commission to ensure in particular that its analysis of the proposed reforms allows for proper consideration of the various situations of consumers experiencing vulnerability or disadvantage, especially where those factors reduce their ability to meaningfully engage in

markets. This approach would help better deliver on the request in the terms of reference to identify distributional impacts of the reforms across Australian households.

Examples of consumer circumstances that should be explicitly modelled (and reported back to the Government on) by the Commission include likely impacts on consumers and households:

- living in regional areas compared to metropolitan areas
- on lower incomes, and across the income spectrum
- who may face other barriers to engagement in the economy, such as language barriers, disability or otherwise.

Developing CGE models capable of highlighting these distributional impacts should be a priority. It may be effective for the Commission to supplement any models that don't sufficiently assess these impacts with social impact assessment methodologies, allowing consideration of, for example, health impacts, social cohesion, and access to services, particularly focusing on vulnerable populations.

Recommendation 1

The Productivity Commission should prioritise the assessment of the distributional impacts for consumers of the reforms proposed by the CFFR, with particular focus on consumers experiencing vulnerability or disadvantage.

Consumer well-being is complex

The Commission should also ensure that it takes a broad approach to assessing the impact of the reforms on consumer wellbeing. We note the suggestion that the Commission will consider income, prices, wages, consumer choice and product quality. However, for many markets, these metrics will not provide sufficient information to assess whether competition is working for consumers (or whether reforms will lead to effective competition that serves consumers). Extra qualitative assessments may be needed to complement model outputs. This was recognised as a necessary step in the Commission's 2016 work on the superannuation system, where the approach to assessing competitiveness included additional metrics.¹

In relation to consumer choice in particular, there are many markets that demonstrate that increased consumer choice alone does not necessarily lead to good outcomes. Multiple options do not deliver good outcomes for consumers if differences between goods or services are difficult to identify or compare, or no options are good value.

For example, there are many varying brands and products in key general insurance markets, like home or car insurance. However, products are complex and very difficult for consumers to compare. Many of the advertised brands are also owned by a few parent companies, which

¹ Productivity Commission, 2016, How to assess the competitiveness and efficiency of the superannuation system - study report

reduces genuine competition. Insurance disputes reaching the Australian Financial Complaints Authority are ever increasing,² indicating poor consumer outcomes.

In addition, it is crucial for the Commission to prioritise vulnerability as a central factor in its assessments of consumer well-being. This focus will ensure that the evaluations and subsequent reforms address not only the average consumer experience but also the specific challenges faced by the most disadvantaged groups, thereby fostering a more inclusive and equitable market environment.

Recommendation 2

The Productivity Commission should take a broad approach to defining consumer well-being that accounts for more than just the extent of consumer choice or options in a market.

Consult on how reforms will be measured

Once the reforms proposed by the CFFR are known, we urge the Commission to undertake a public consultation process seeking feedback on how it proposes to assess and measure the proposals. This consultation should seek feedback on proposed assumptions contributing to the models, as well as other ways to capture other potential impacts that may not be easily identifiable via models of the broader economy. It would be easier for all parties to provide more specific feedback once the reforms are known.

Recommendation 3

The Productivity Commission should seek feedback on the approach it plans to take to assessing the reforms proposed by the CFFR, once the reforms being measured are known.

Yours sincerely,

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CHOICE

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² <https://www.afca.org.au/news/media-releases/complaints-to-afca-top-100000-a-year-for-first-time>